Holiday Club Payouts for 1985

Listed in Geographical Order with 1985-1984 Comparisons

	Total Payout ($)		Number of Accounts		Average Payout ($)		Rate Offered (%)		Type of Account	
	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984
NEVADA										
Nevada National Bank, Reno	739,037	777,248	2,079	2,311	355	336	5.25	5.50	C	C
NEW JERSEY										
Collective FS&LA, Egg Harbor City	4,449,963	4,137,785	12,606	13,969	353	296	6.00	6.00	C	C
City Federal S&L Assn., Elizabeth	7,722,397	8,369,462	18,388	22,686	420	369	5.50	5.50	C	C
Harmonia Savings Bank, Elizabeth	1,832,597	1,758,640	4,215	4,257	435	413	5.50	5.50	P	P
Union County Savings Bank, Elizabeth	918,461	881,025	2,395	2,328	383	378	5.50	5.50	C	C
Central Jersey Bk & Tr Co., Freehold	6,067,898	5,747,812	14,576	14,887	416	386	5.50	5.50	C	C
United Jersey Bank, Hackensack	10,542,798	10,730,923	16,236	19,904	649	539	5.25	5.25	C	C
First Peoples Bank, Haddon Twp.	4,995,913	5,763,567	11,560	14,588	432	395	5.50	5.50	C	C
Heritage Bank NA, Jamesburg	9,349,912	9,693,515	22,313	23,864	419	406	(f)	5.25	C	C
Provident Savings Bank, Jersey City	7,989,960	7,955,856	17,282	19,760	462	403	(f)	5.50	C	C
Investors Savings & Loan Assn., Millburn	1,559,759	1,481,957	4,153	3,975	376	373	6.00	6.00	C	C
Princeton Bank, Moorestown	2,495,251	N.A.	5,629	N.A.	443	N.A.	5.25	N.A.	E	E
Carteret S & LA, F.A., Morristown	5,802,000	6,700,000	12,414	15,248	467	440	5.50	5.50	C	C
Horizon Bank NA, Morristown	2,178,118	2,248,864	3,247	3,499	671	643	5.00	5.00	E	E
Midlantic Nat'l Bank/Merchants, Neptune	3,167,475	3,061,388	7,757	8,647	408	354	5.00	5.00	C	C
New Brunswick Savings Bank	1,200,510	1,103,320	2,749	2,703	437	408	5.50	5.50	P	P
Howard Savings Bank, Newark	5,407,042	5,621,256	12,239	13,302	442	423	5.50	5.50	P	P
North Jersey Savings & Loan Assn., Passaic	1,552,111	1,428,423	4,037	4,142	384	345	6.00	6.00	P	P
New Jersey National Bank, Pennington	2,340,203	2,414,022	5,867	5,615	399	430	5.00	5.00	C	C
Perth Amboy Savings Institution	3,302,281	3,200,000	7,058	7,450	468	430	5.50	5.50	P	P
Queen City Savings & Loan Assn, Plainfield	2,287,093	2,161,415	5,748	5,921	398	365	5.50	5.50	C	C
United National Bank, Plainfield	4,115,298	3,528,800	7,329	6,764	562	522	6.00	6.00	C	C
National Community Bank, Rutherford	11,973,022	11,338,565	29,964	32,363	400	350	(f)	(f)	C	C
Crestmont Federal S&L Assn., Springfield	3,223,787	2,724,049	8,357	7,207	386	378	5.50	5.50	C	C
Jersey Shore S&L Assn., Toms River	2,555,157	2,660,538	6,929	7,709	369	345	5.50	5.50	P	P
Security Savings & Loan Assn., Vineland	1,707,052	1,593,081	4,457	4,858	383	328	(f)	2.04	C	C
Fort Monmouth FCU, West Long Branch	2,039,122	1,800,000	3,092	3,047	659	591	8.00	8.00	E	E
Midlantic Nat'l Bk/North, West Paterson	12,797,084	13,066,000	23,421	28,663	546	456	(f)	4.00	C	C
NEW MEXICO										
First National Bank, Albuquerque	185,845	N.A.	374	N.A.	497	N.A.	5.50	5.50	E	N.A.
NEW YORK										
Key Bank NA, Albany	14,133,732	11,129,434	40,294	30,344	351	367	5.25	5.25	C	C
National Savings Bank, Albany	1,836,000	2,180,459	4,767	6,734	385	324	5.50	5.50	P	P
Bethpage Federal CU	5,789,587	5,311,216	8,253	7,913	703	671	6.00	6.00	E	E
Dime Savings Bank of New York, Brooklyn	9,640,734	10,009,545	20,590	22,757	468	440	5.50	5.50	P	P
Green Point Savings Bank, Brooklyn	4,424,364	4,403,228	10,784	11,068	410	398	5.50	5.50	P	P
Hamburg Savings Bank, Brooklyn	3,486,811	3,022,297	8,054	8,115	433	372	5.50	5.50	P	P
Independence Savings Bank, Brooklyn	3,515,928	3,536,843	8,451	9,275	416	381	5.50	5.50	P	P
Williamsburgh Savings Bank, Brooklyn	5,338,273	5,777,956	11,036	12,439	484	465	5.50	5.50	P	P
Chemung Canal Trust Co., Elmira	2,323,005	2,178,124	8,218	7,783	283	280	5.50	5.50	C	C
IBM Endicott/Oswego Empl. FCU, Endicott	2,256,035	2,087,858	5,032	5,340	448	391	6.50	6.50	E	O
Teachers Federal CU, Farmingville	2,555,064	2,119,627	5,093	4,474	502	474	5.75	5.75	E	E
Long Island Trust Co. NA, Garden City	9,266,590	9,738,840	15,788	17,817	587	547	5.00	5.25	C	C
Roosevelt Savings Bank, Garden City	737,238	540,596	1,758	1,451	419	373	5.50	5.50	P	P
First Nat'l Bank of Long Island, Glen Head	858,854	843,850	2,073	2,072	414	407	(f)	(f)	C	C
Norstar Bank of Long Island, Hempstead	7,000,000	5,500,000	18,000	14,000	389	393	5.25(f)	5.25(f)	C	C
Central Federal Savings FSB, Long Beach	1,767,899	1,675,403	3,897	4,163	454	402	5.50	5.50	P	P
Westchester Fed. Svgs. Bank, New Rochelle	6,634,610	6,244,756	18,921	22,535	351	277	6.00	6.00	C	C
American Savings Bank, FSB, New York	3,629,449	4,061,596	6,236	9,996	582	406	5.50	5.50	P	P
Apple Bank for Savings, New York	2,717,990	2,812,465	6,114	7,148	445	393	5.50	5.50	P	P
Atlantic Bank of New York	229,808	276,128	508	591	452	467	5.50	5.50	P	P
Bank of Commerce, New York	5,108,400	4,969,426	12,004	12,117	426	410	4.50	4.50	C	C
Bank of New York	22,470,023	22,634,768	51,016	54,453	440	416	5.00	5.00	C	C
Emigrant Savings Bank	5,952,000	7,157,000	12,582	14,354	473	499	5.50	5.50	P	P
Greater New York Savings Bank	2,156,321	2,389,471	4,654	5,471	463	437	5.50	5.50	P	P
Manhattan Savings Bank, New York	4,282,733	4,358,145	9,666	10,609	443	411	5.50	5.50	P	P
Manufacturers Han. Tr. Co., New York	12,158,057	13,816,244	16,933	20,804	718	664	5.00	5.00	E	E
National Westminster Bank USA, New York	25,102,278	23,367,735	41,042	42,652	612	548	5.25	5.25	E	E
Seamen's Bank for Savings FSB, New York	3,293,453	3,724,760	6,005	7,053	548	528	5.50	5.50	P	P
United Nations Federal CU, New York	255,751	184,718	248	230	1,031	803	7.25	8.00	E	E
Union Savings Bank, Patchogue	1,948,973	1,765,772	5,258	4,956	371	356	5.50	5.50	C	C
Astoria Federal S & L Assn., Queens	4,079,560	4,169,162	9,450	10,386	432	401	5.50	5.50	P	P
Ridgewood Savings Bank, Queens	2,645,000	2,614,000	5,813	6,451	455	405	5.50	5.50	P	P
Suffolk County National Bank, Riverhead	968,266	945,631	2,313	2,255	410	419	(f)	(f)	C	C

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Total payout—Includes both principal plus interest paid by the institution and all its branches on all Christmas clubs, holiday clubs, and all similar club accounts. **Average payout**—The total payout divided by the total number of active club accounts, rounded to the nearest dollar. **Rate offered**—The most common offering rate on club accounts. **Type of Account**—Respondents were asked to identify one club type representing the majority of club accounts. **C**- Coupon book; **E**- Electronic (Automatic) Funds Transfer; **P**- Passbook account; **O**- Other (such as payroll deduction).

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Holiday Club Payouts for 1985

Listed in Geographical Order with 1985-1984 Comparisons

	Total Payout ($)		Number of Accounts		Average Payout ($)		Rate Offered (%)		Type of Account	
	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984
NEW YORK (cont.)										
Chase Lincoln First Bank NA, Rochester	13,085,489	12,113,603	35,932	33,042	364	367	5.25	5.25	C	C
Frist Federal S&L Assn., Rochester	7,472,511	7,765,817	17,004	19,396	439	400	5.50	5.50	P	P
Monroe Savings Bank FSB, Rochester	1,490,785	2,129,141	4,046	6,246	368	341	5.50	5.50	C	C
Eastern Savings Bank, Scarsdale	2,354,880	2,250,000	6,620	6,384	356	352	5.50	5.50	P	P
Bank of Smithtown	2,288,251	2,270,360	4,951	5,352	462	424	4.90	4.90	C	C
Key Bank of Central New York, Syracuse	5,639,606	5,075,521	15,476	14,824	364	342	5.25	5.25	C	C
Merchants Nat'l Bk & Tr Co., Syracuse	1,098,364	1,101,118	3,511	3,621	313	304	4.00	4.00	C	C
Peoples Westchester Svgs Bank, Tarrytown	3,950,467	4,304,657	8,791	10,974	449	392	5.50	5.50	P	P
Troy Savings Bank	1,073,565	1,079,072	2,521	2,778	426	388	5.50	5.50	P	P
Norstar Bank of Upstate NY, Utica (j)	8,063,025	7,613,083	26,164	27,520	308	277	5.25	5.25	C	C
Savings Bank of Utica	1,220,052	1,221,250	2,712	2,914	450	419	(f)	(f)	C	C
Key Bank of No. New York NA, Watertown	4,209,406	3,492,841	12,153	10,470	346	334	5.25	5.25	C	C
Home Savings Bank, White Plains	1,288,615	1,600,128	3,150	3,920	409	408	5.50	5.50	C	C
Suffolk Federal CU, Yaphank	1,228,654	1,045,443	2,570	2,236	478	468	6.25	6.25	E	E
NORTH CAROLINA										
First Citizens Bank & Trust Co., Raleigh	4,137,642	3,491,141	10,747	9,401	385	371	5.25	5.50	O	O
Peoples Bank & Trust Co., Rocky Mount	1,003,354	952,035	4,001	4,072	251	231	0.00	0.00	C	C
OHIO										
First National Bank, Akron	3,300,000	3,491,558	12,000	11,806	275	296	5.50	5.50	C	C
Fifth Third Bank, Cincinnati	1,211,014	1,158,524	4,555	4,232	266	274	N.A.	N.A.	C	C
Broadview Savings & Loan Co., Cleveland	2,600,000	2,900,000	11,000	13,300	236	218	2.00	2.00	P	P
Cardinal Federal Savings Bank, Cleveland	1,530,177	1,708,154	4,693	6,184	326	276	5.50	5.50	P	P
National City Bank, Cleveland	4,111,641	4,357,684	12,603	14,095	326	309	3.00	3.00	C	C
Transohio Savings Bank FSB, Cleveland	2,424,213	2,848,353	7,860	10,382	308	274	5.50	5.50	P	P
BancOhio National Bank, Columbus	3,425,700	4,156,600	10,912	17,168	314	242	0.00	5.50	C	P
Nationwide CU, Columbus	2,947,657	2,647,107	7,888	7,805	374	339	6.25	6.25	O	O
NCR Universal CU, Inc., Dayton	2,523,948	2,500,000	5,370	5,700	470	439	5.25	5.25	E	E
Wright-Patt Credit Union, Inc., Fairborn	408,237	209,865	1,153	686	354	306	6.00	6.00	E	E
Equitable Federal Svgs Bank, Lancaster	532,979	536,298	1,592	1,744	335	308	5.50	5.50	O	O
First Buckeye Bank NA, Mansfield	1,686,731	1,697,115	4,556	5,612	370	302	5.50	5.25	C	C
First National Bank of SW Ohio, Monroe	1,766,747	1,778,025	4,497	4,952	393	359	0.00	0.00	C	C
First Federal Savings & Loan Assn., Toledo	1,024,638	1,045,468	2,786	3,038	368	344	5.50	5.50	P	P
Dollar Savings & Trust Co., Youngstown	2,928,073	2,933,272	7,963	8,308	368	354	5.50	5.50	C	C
Home S&L Co., Youngstown	686,152	685,042	1,771	1,801	387	380	5.50	5.50	P	P
OREGON										
U.S. National Bank of Oregon, Portland	3,327,252	3,772,590	9,529	12,263	349	308	4.50	5.50	C	C
PENNSYLVANIA										
Merchants Bank NA, Allentown (k)	7,030,364	3,841,605	19,342	11,610	363	331	5.00	5.25	C	C
Mid-State Bank & Trust Co., Altoona	2,268,507	1,847,489	7,194	6,173	315	299	5.50	3.85	C	C
Germantown Savings Bank, Bala Cynwyd	4,883,036	5,179,808	11,648	13,025	419	398	5.00	4.00	C	C
Dauphin Deposit B&T Co., Harrisburg	5,275,487	5,669,888	15,417	16,655	342	340	5.25	5.25	C	C
Pennsylvania State Emp. CU, Harrisburg	4,270,715	3,638,204	12,361	10,576	346	344	8.00	9.00	O	O
Fulton Bank, Lancaster	6,672,163	6,319,251	13,082	13,161	510	480	7.00	6.50	C	C
Hamilton Bank, Lancaster	14,730,828 (l)	13,429,461	33,942	36,448	434	368	6.50	5.25	E	E
First Valley Bank, Lansford	2,138,122	2,286,525	6,374	7,133	355	321	5.25	5.25	C	C
First Seneca Bank, Oil City	5,250,554	5,092,630	13,814	14,384	380	354	4.00	4.00	C	C
Bucks County Bank & Trust Co., Perkasie	3,050,264	3,207,782	7,465	8,325	409	385	5.00	5.00	C	C
Beneficial Savings Bank, Philadelphia	7,773,049	8,274,784	21,191	25,024	367	331	5.50	5.50	C	C
Continental Bank, Philadelphia	2,898,540	3,021,179	8,904	9,622	326	314	0.00	0.00	C	C
First Pennsylvania Bank NA, Philadelphia	3,377,690	3,471,060	10,147	11,697	333	297	0.00	0.00	C	C
PSFS, Philadelphia	17,647,800	18,380,097	42,600	45,944	414	400	5.00	5.00	C	C
Provident National Bank, Philadelphia	1,367,754	2,330,705	4,809	7,533	284	309	0.00	0.00	C	C
Dollar Bank, FSB, Pittsburgh	4,558,803	4,919,557	11,535	12,693	395	388	5.50	5.50	P	P
Equibank, Pittsburgh	3,452,365	4,145,049	8,900	11,190	388	370	5.00	5.00	C	C
First Federal S&L Assn., Pittsburgh	4,447,284	4,586,173	12,022	12,372	370	371	6.00	6.00	P	P
Landmark Savings Association, Pittsburgh	2,400,000	2,518,400	6,278	6,994	382	360	5.50	5.50	P	P
Mellon Bank NA, Pittsburgh	8,126,772	11,119,925	28,058	39,244	290	283	0.00	0.00	P	E
Parkvale Savings Association, Pittsburgh	2,444,551	2,397,081	8,078	8,476	303	283	6.00	6.00	P	P
American Bank & Trust Co. of Pa., Reading	12,089,734	12,394,373	31,351	35,391	386	350	5.25	5.25	C	C
Bank of Pennsylvania, Reading	3,975,868	3,887,865	8,779	9,169	453	424	6.50	6.50	P	P
Penn Savings Bank, Reading	1,978,818	2,211,378	4,407	6,443	449	343	6.00	6.00	C	C
Northeastern Bank of Pa., Scranton	8,877,014	7,084,018	22,846	18,816	389	377	5.50	5.25	C	C
Horizon Financial FA, Southampton (S)	2,674,659	3,172,040	6,812	8,576	393	370	5.50	5.50	P	P

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PENNSYLVANIA (cont.)										
Mellon Bank (Central), State College	1,978,366	2,245,040	4,130	4,815	479	466	5.25	5.25	C	C
First Nat'l Bank of Bradford Cty., Towanda	1,200,943	1,335,460	3,526	4,130	341	323	5.25	5.25	C	C
Gallatin National Bank, Uniontown	5,435,580	5,107,510	15,667	14,803	347	345	5.25	5.25	C	C
First Eastern Bank NA, Wilkes-Barre	10,542,039	10,559,000	28,816	30,416	366	347	5.50	5.25	C	C
Franklin First FS&LA, Wilkes-Barre	6,631,097	5,958,550	22,028	21,168	301	281	5.50	6.00	C	C
United Penn Bank, Wilkes-Barre	6,896,809	6,400,000	21,463	21,000	321	305	5.25	5.25	C	C
Commonw'h B&T Co. NA, Williamsport	5,128,725	4,553,625	11,972	11,491	428	396	5.25	5.25	C	C
Northern Central Bank, Williamsport	6,858,817	6,750,721	13,811	14,872	497	454	6.00	5.25	C	C
York Bank & Trust Co.	5,693,676	5,716,188	12,460	12,920	457	442	6.00	6.00	C	C
York Federal Savings & Loan Assn.	3,348,198	2,960,084	7,981	7,079	420	418	7.00	7.00	P	P
RHODE ISLAND										
Credit Union Central Falls	145,924	137,533	544	660	268	208	0.00	0.00	C	C
Fleet National Bank, Providence (g)	4,555,196	4,603,871	10,609	11,168	429	412	5.00	5.00	C	C
Westerly Community CU	1,164,000	1,131,122	2,627	2,500	443	452	5.75	5.75	C	C
Eastland Bank, Woonsocket (S,h)	3,167,616	3,810,644	8,766	8,781	361	434	(f)	(f)	C	C
SOUTH CAROLINA										
Charleston Naval Shipyard Federal CU	2,775,265	1,000,000	5,194	2,000	534	500	7.25	7.25	E	E
Bankers Trust of South Carolina, Columbia	5,654,876	5,622,782	19,632	20,379	288	276	5.25	5.25	C	C
Citizens & Southern NB, Columbia	2,195,543	2,352,804	3,873	4,205	567	560	5.25	5.25	E	E
American Federal Bank, FSB, Greenville (S)	308,000	283,500	880	840	350	338	5.50	5.50	P	P
First Federal S&L Assn., Greenville	2,309,131	1,967,045	5,665	5,881	408	334	5.50	5.50	P	P
Southern Bank & Trust Co., Greenville	1,914,422	2,195,488	4,032	5,537	475	397	0.00	0.00	C	C
National Bank of South Carolina, Sumter	355,114	337,307	1,018	1,052	349	321	0.00	0.00	E	E
TENNESSEE										
Knoxville TVA Federal CU	808,139	694,155	1,883	1,544	429	450	5.50	5.50	O	O
Valley Fidelity B&T Co., Knoxville	753,038	826,311	2,098	2,046	359	404	5.25	5.25	C	C
Nashville City Bank & Trust Co.	2,118,089	1,580,207	4,964	3,121	427	506	5.50	5.50	E	E
Third National Bank, Nashville	2,471,741	2,647,508	5,636	6,044	439	438	5.25	5.25	C	P
AEDC Federal CU, Tullahoma	85,713	62,671	216	164	397	382	7.00	7.00	P	P
TEXAS										
First National Bank, Amarillo	59,229	81,751	204	286	290	286	0.00	0.00	C	C
MBank Alamo NA, San Antonio	133,711	119,415	637	N.A.	210	N.A.	N.A.	N.A.	C	C
Victoria Bank & Trust Co.	10,935	10,292	49	42	223	245	0.00	0.00	C	C
VERMONT										
Chittenden Bank, Burlington	2,404,688	2,358,037	6,789	6,851	354	344	5.25	5.25	C	C
VIRGINIA										
Perpetual American Bk, FSB, Alexandria	3,573,964	4,032,309	7,320	8,121	488	497	5.25	5.25	O	O
Howard Bank,. Barlington	1,518,907	1,485,824	3,413	3,625	445	410	5.50	5.50	C	C
First Virginia Bank, Falls Church	2,009,523	2,147,701	5,041	6,070	399	354	0.00	0.00	E	C
Langely Federal CU, Hampton	993,969	780,303	2,078	2,003	478	390	7.00	7.00	E	E
Piedmont Trust Bank, Martinsville	6,637,670	6,597,137	10,347	10,628	642	621	5.25	5.25	O	O
Sovran Bank NA, Richmond	15,136,596	14,100,484	37,829	37,749	400	374	5.25	5.25	C	C
Colonial American National Bank, Roanoke	1,460,870	1,407,743	4,064	4,264	359	330	5.25	5.25	C	C
First Federal Savings & Loan Assn., Roanoke	240,153	238,871	721	747	333	320	5.50	5.50	P	P
Naval Air Federal CU, Va. Beach	726,553	644,334	2,306	2,006	315	321	6.00	6.00	O	O
WASHINGTON										
Rainier National Bank, Seattle	1,627,000	2,114,629	8,313	9,842	196	215	5.25	5.25	E	P
Puget Sound National Bank, Tacoma	1,742,287	1,798,271	5,351	5,705	326	315	5.25	5.25	E	E
WEST VIRGINIA										
Kanawha Banking & Tr. Co. NA, Charleston	1,105,937	1,253,326	2,739	3,031	404	414	7.30	6.00	E	E
First Huntington National Bank	486,625	414,777	1,127	1,056	432	393	5.75	5.75	C	C
First Community Bank-Princeton	347,048	357,001	915	1,027	379	348	5.50	5.50	C	C
WISCONSIN										
Royal CU, Eau Claire	81,026	304,704	1,066	1,170	76	260	6.00	6.00	O	P
First National Bank, Kenosha	1,777,369	1,738,083	5,722	6,278	311	277	5.25	5.25	C	C
Marine Bank NA, Milwaukee	1,357,184	1,273,437	2,705	2,755	502	462	5.50	5.50	P	P
Security S&L Assn., Milwaukee	750,000	450,000	1,800	1,300	417	346	5.50	5.50	O	O

American Banker surveyed the top 500 commercial banks; the top 400 savings institutions (savings banks and savings and loans); an additional 200 commercial banks and savings institutions known to have club programs; and the top 150 credit unions.

Total payout—Includes both principal plus interest paid by the institution and all its branches on all Christmas clubs, holiday clubs, and all similar club accounts. **Average payout**—The total payout divided by the total number of active club accounts, rounded to the nearest dollar. **Rate offered**—The most common offering rate on club accounts. **Type of Account**—Respondents were asked to identify one club type representing the majority of club accounts. **C**- Coupon book; **E**- Electronic (Automatic) Funds Transfer; **P**- Passbook account; **O**- Other (such as payroll deduction).

(S)—Savings institution. Identifies those institutions whose name does not clearly identify it as a savings institution. **(f)**— One bonus payment is given on the completion of the club (the 50th or 51st payment). This is equivalent to an offering rate of approximately 4%. **(g)**—The offering rates shown are for EFT club accounts only. **(h)**—Formerly Woonsocket Savings & Trust **(N.A.)**— Not available.

Debt . . .

Continued from Page 2

of gross domestic product increasing from 67% in 1985 to 77% in 1986. The debt service ratio — debt requirements compared to export earnings — will rise to 50% on average, for the next two years, said Data Resources. Borrowing needs will push foreign debt to the the $100 billion market.

Venezuela: Also an oil-exporting country, Venezuela is better prepared economically than most such nations to weather the expected slump in oil prices in 1986. Meanwhile, formal signing is expected early this year on its $21.1 billion debt rescheduling agreement.

Venezuela, which has foreign debt of $31.5 million, nearly all of it owed to private lenders, recently has been stressing diversification of its export economy. Nevertheless, oil accounts for 90% of merchandise exports, and the nation's economy is not expected to stage a full recovery until 1988, when world oil prices are expected to rebound, according to Data Resources.

Venezuela's inflation rate is the lowest in Latin America, at 10% annually. But the economy is at a static level, and pressures to alleviate unemployment by stimulating the economy are increasing. Despite the clouded outlook, however, Venezuela is expected to be the only Latin country to reduce its foreign debt obligations. They are likely to fall $4 billion or more by 1990.

Peru: Among the smaller debtor nations, Peru is in the most difficult straits and has assumed the most vocal and radical position of all debtor nations. The country's new president, Alan Garcia, has said that Peru will not negotiate an economic austerity plan with the IMF and will limit payments to creditors this year to the equivalent of 10% of its export earnings.

The announcement has left bankers and the IMF anxious about whether or not Peru will set a precedent leading to future problems with other debtor countries.

On New Year's Day, the African nation of Nigeria confirmed some of those fears by saying it would cap payments on its debt to the equivalent of 30% of its export earnings.

Data Resources noted that continued sluggish economic activity and currency devaluation in Peru will exceed 100% in 1986 as a proportion of gross domestic product.

But while talking tough to his creditors, Mr. Garcia also has impressed them by launching a rigorous austerity program of his own for Peru, emphasizing economic development, pursuing corruption, and firing a third of the officers of state-owned companies. Under his "moralization campaign," he has renewed the fight against narcotics-related activities and even reduced his own salary.

Colombia: Late last year, Colombia, a Latin nation with a strong credit rating, joined with banks to formally sign a $1 billion loan agreement to boost export trade. It was the first Latin country since 1982 to gain a financing agreement with banks without an IMF agreement. The signing was a sweet moment for Colombian officials, who feel that their country has been marked unfairly as a troubled debtor because of its location in Latin America and in spite of its good record.

Ecuador: Another Latin country with a generally good credit rating and reputation that recently signed a multiyear rescheduling package. Ecuador, an oil exporting country, has followed an austerity program to adjust its economy and now expects moderate growth in 1986. Foreign debt will total $7.7 billion in 1986, a high 65% of gross domestic product, but Data Resources noted that debt service this year will amount to a manageable 28.6% of exports.

Bolivia: With severe austerity accompanied by serious labor strife, Bolivia has sharply reduced its legendary inflation rate — 14,000% annually at one point — under President Victor Paz Estenssoro. Talks aimed at an economic program are under way with the IMF. But Bolivia's economy has been plagued by uncertainty since October when commodities trading in tin, a major Bolivian export, was suspended indefinitely in London. Bolivia owes foreign banks $1 billion.

Chile: While falling tin prices have hampered Bolivia, a parallel fall in copper prices has caused uncertainty for Chile, which has $20.8 billion of foreign debt, most of it owed to private lenders. The country obtained new debt agreements in 1985 from the IMF and the nation's banks. The military government of General Augusto Pinochet recently relaxed monetary policy after nearly a year of austerity. Moderate recovery of the currently static economy is expected. ■

Dear Reader, How Are We Doing?

The American Banker wants very much to make sure its statistical listings for the financial services industry meet your information needs. So would you spend a moment to give us some feedback on the **American Banker Ranks the Top Holiday Clubs** survey that appear in today's edition? Over the past year we have incorporated many of your suggestions to provide more meaningful information. Please return this questionnaire to L. Michael Cacace, Statistical Chief, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-4836.

(1.) How would you **change** the tabulation to make it more useful? What would you add?

(2.) What do you like **best** about this tabulation?

(3.) What do you like **least** about this tabulation?

(4.) **How** do you use this information in your work?

(5.) What **new** statistical survey would you like to see?

Name (optional)

Title

Company

Address

Phone

Holiday Clubs . . .

Continued from Page 1

profitable at best. As a result of these changes, the number of club accounts fell by 16% at banks and 10.2% at savings institutions in 1985, after falling 6.1% and 7.4%, respectively, in 1984.

Other Survey Findings

The *American Banker* surveyed about 600 commercial banks, 500 savings institutions, and 160 credit unions. About 22%, or 277 institutions, responded to the survey — 142 commercial banks, 95 savings institutions, and 40 credit unions. Listed below are some of the more interesting survey findings.

Kinds of Holiday Clubs

	Number
Coupon	142
Passbook	71
Electronic	43
Other	21
Total	277

• Most institutions that did not grow substantially through a merger yet showed substantial gains in club payouts last year attributed the gains to increased marketing and promotional efforts.

For example, Key Bank, Albany, N.Y., which had a 27% gain in club payouts last year, attributed the increase to its successful premium offer and an effective public relations campaign. The Northeastern Bank of Pennsylvania, Scranton, had a 25.3% gain and attributed it to a new promotion campaign that offered three different types of stuffed animals. Teachers Federal Credit Union, Farmingville, N.Y., had a 20.5% gain in payouts, which it attributed to its promotion of its new premium offer — a coupon for a free dinner with the purchase of one dinner.

• Despite a drop from last year, the Bank of America, San Francisco, maintained its position as top institution in holiday club payouts last year — a spot it has held since the survey was started more than 10 years ago. It paid out $96 million to its holiday club members, a decline of 19.3% from the previous year. The bank stated that the decline

➡ Holiday Clubs: Page 24

Cuomo's Housing Plan Includes 1% State Loans

Special to the American Banker

ALBANY, N.Y. — A blend of state loans at 1% interest and market-rate bank loans is a key part of a five-year, $2.5 billion program proposed by Gov. Mario M. Cuomo to expand housing in New York State.

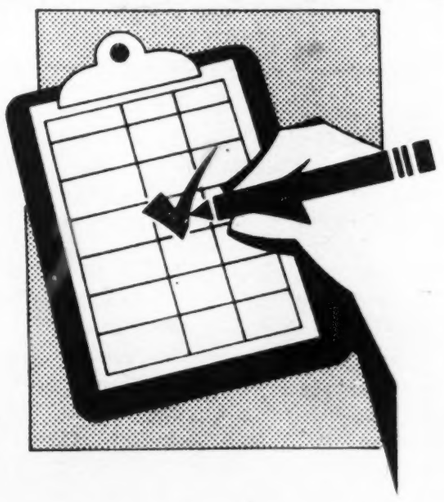
"A new participation loan program will provide state loans at 1% interest to be blended with an equal amount of market-rate bank money, permitting the rehabilitation of aging multiple dwellings at a cost that does not push rents beyond affordability for the tenants in place," the governor said in his annual message to the state legislature on Wednesday.

Calling for a program to produce 50,000 housing units across the state in five years, Mr. Cuomo said he would submit legislation to provide the State of New York Mortgage Agency — known by the acronym Sonyma — with $1 billion to finance mortgage loans over the next few years.

Gov. Cumo said he also will submit legislation to permit the Housing Finance Agency to issue taxable bonds to finance middle income cooperative and rental housing projects.

In addition to the new participation loan program for rehabilitation of aging multiple dwellings, Sonyma's mortgage insurance program would be used when credit enhancement is necessary to make a project viable, he said.

The governor also asked legislators to provide an additional $20 million for a cooperative public-private program to build housing for 2,000 homeless families. ■



HOW CONSUMER AMERICA VIEWS THE CHANGING FINANCIAL SYSTEM

The *American Banker* is selling a 16-page reprint of its recently published series examining how American consumers view the great changes in the financial system.

Based on its second annual survey of 1,000 households conducted with help from Reichman Research Inc., a New York opinion research firm, the *American Banker* reprint examines a wide array of issues: how consumers view the health of the banking system, the integrity of bankers, and the performance of financial regulators.

Americans were asked, too, what they think about and expect from interstate banking; how they view banking by mail, telephone, and computer; and whether they favor the expansion of powers for financial institutions.

The survey reprint also reports on what kinds of financial institutions most satisfy people, and whether Americans like new electronic banking services such as automated teller machines, direct deposit programs, and banking by home computer. And what does the public think about the thrift industry's problems?

Copies of the *American Banker* reprint can be obtained by sending a check for $15 for each copy to: *American Banker*, Att: Gina Caputo, One State Street Plaza, New York 10004 (212-943-8677).

In addition, Reichman Research is making available the survey data in a variety of other formats, including a hard copy report, magnetic tape, and a diskette package. Additional information, including a copy of the questionnaire, can be obtained from David Reichman, president, Reichman Research Inc., 3 East 44th St., New York 10017 (212-986-7709).

This is the second *American Banker* consumer attitudes survey. Copies of the previous survey, published in 1984, are available for $10 each.

Offering Stuffed Animals Instead of Interest Ends Dog Days for Commonwealth Savings Holiday Club

Special to the American Banker

When their holiday club began going to the dogs back in 1983, the management at Commonwealth Savings and Loan Association, Norristown, Pa., decided to eliminate interest payments and give club members stuffed animals instead. Dumb move, huh?

Not exactly. Baxter the Bashful Basset, the creation of Russ Berrie Inc., New York, actually helped the thrift increase account deposits and pocket about $70,000 in interest savings. There were some account defections that year and in 1984. But aggressive cross-selling of the holiday club to checking customers in 1985, and the introduction of a plush pooch, Samuel Spaniel, enabled the thrift to increase club participation by more than 26% over 1984.

Incredible!

"Yes, it is," agreed Tom Yaegel, the former Commonwealth Savings marketing vice president who dreamed up the brazen plan. It was all the result of old-fashioned, nuts-and-bolts marketing, added Mr. Yaegel, who now runs a consulting business from the office of a swim club that he owns in Richboro, Pa., a suburb of Philadelphia.

Mr. Yaegel, who also teaches marketing at Montgomery County (Pa.) Community College, said he had noticed back in 1983 that the thrift was suffering from what he calls "bottom of the bag" syndrome. As Commonwealth adopted newer financial products for its customers, it tended to ignore its older offerings — put them at the bottom of its bag, so to speak.

"I decided we should evaluate the older products and either improve them or get rid of them altogether," he said.

Mr. Yaegel said that an examination of the thrift's estimated 8,000 holiday club accounts determined that adding the 6% interest that it was paying customers to the operating costs totaled 12% for the thrift.

"We were putting money out at 10½% to 11% back then, so we were losing money on the thing."

'We decided to replace the interest with an item of emotional appeal.'

— Tom Yaegel, the former Commonwealth Savings and Loan marketing vice president who dreamed up the plan to give away stuffed animals instead of interest on Christmas club accounts.

Mr. Yaegel said that holiday club accounts are labor intensive, and thus he saw no possibility of cutting back on personnel to trim costs. Any savings would have to come from the interest rate side, he concluded.

"We conducted a telephone and lobby poll about this time to discover why people opened these accounts in the first place. We found it was because they liked a systematic way to save funds for the holidays. Interest was way down on the list."

Mr. Yaegel also discovered that 70% to 80% of the accounts were opened by women and that it was an impulsive decision.

"So we decided to replace the interest with an item of emotional appeal," he said. Kimberly Roth, marketing director for Russ Berrie, said that Mr. Yaegel first came to them requesting several thousand teddy bears, but he was won over by Baxter, who resembles Tonka's very popular "Pound Puppy" toy. The animals cost the thrift about $30,000.

The dogs were manufactured in several sizes, the larger dogs going to the people who opened the biggest accounts. People can deposit between $5 and $40 per week for 50 weeks to get a dog. The club drive for this year began on Oct. 14. If customers fail to complete the club, the cost of the dog is deducted from their balance.

In 1983, the thrift opened 7,000 holiday clubs, off about 10% from the previous year. But they saved $68,000 in interest. In 1984, they opened 6,200 accounts, and about $2.2 million in deposits matured at the conclusion of the 50-week deposit period. The thrift saved about $64,000 in interest, according to Donna Sullivan, Commonwealth's senior marketing vice president.

"We didn't push it in 1984," she said.

For 1986, Commonwealth marketed the account to its 22,000 checking customers and opened a total of 8,600 accounts, according to Ms. Sullivan. "We expect the participants to deposit $4 million," she said.

"We had very few complaints when we took away the interest," said Mr. Yaegel. "You're talking maybe $15 a year in interest. It's not what the people were buying." ■

Credit Unions Lead in Club Payout Gain

Continued from Page 22

was attributable to the loss of some customers when the bank phased out its coupon book club programs. Customers were asked to switch to a program that automatically transfers funds from one account into the club account.

- For the second consecutive year PSFS, Philadelphia, was the top thrift institution — savings institutions plus credit unions — in holiday club payouts. PSFS had $17.6 million in club payouts, down 4% from $18.4 million in 1984.
- For the second consecutive year, Bethpage Federal Credit Union, Bethpage, N.Y., was the largest credit union in holiday club payouts with $5.8 million, up 9.2% from 1984.
- The institution with the highest average payout per account in 1985 was the United Nations Federal Credit Union, New York City, with $1,031 per account — up 28.4% from 1984 when the payout per account was $803.
- The highest offering rate on club accounts last year was 8%, offered by two credit unions: Pennsylvania State Employees Credit Union, Harrisburg, and Fort Monmouth Federal Credit Union, West Long Branch, N.J.
- Kanawha Banking & Trust Co., Charleston, W.Va., had the highest offering rate on club accounts for a commercial bank — 7.3%. It was also the second highest rate reported by any institution in the survey.
- Among savings banks and savings and loans, Honolulu Federal Savings & Loan Association had the highest offering rate — 7%.
- For the fifth consecutive year, credit unions had the largest average payout per account, $469; and they also had the largest increase in the number of holiday clubs, 9%.
- The most popular account was the coupon book, used by 142 institutions, or 51.2%, of the 277 institutions responding to the survey. Passbook accounts were used by 71 institutions, or 25.6%; electronic transfer accounts by 43 institutions, or 15.5%; and 21 institutions, or 7.7%, used other accounts, such as statement savings.

A master list of all respondents to the survey begins on page 11. Institutions are listed geographically. Within each state, the institutions are listed alphabetically within the city in which they are located.

In addition to this master list, five summary tables appear on page 10. These tables identify the top 25 institutions among banks and thrifts in club payouts in 1985; the top 25 banks; the top 25 thrifts; and the top 10 credit unions. The other summary table identifies the top 10 institutions in average payout per account. ■

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TODAY

RISK-BASED CAPITAL PLAN

The Fed's Proposal: The Federal Reserve Board issued for comment a proposal that places banks' assets into four risk categories, each with a different capital requirement. If the proposal is adopted, large banks will probably find off-balance-sheet activities less attractive, experts say...1

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LANCE LOSES ROUND IN COURT: A federal judge has refused to halt the Comptroller of the Currency's attempt to force Georgia banker Bert Lance out of the banking industry...1

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It is simply another tool to deal with the shortcomings of our existing tools.

Federal Reserve Board Chairman Paul A. Volcker, commenting on the Fed's proposal to divide banks' assets into four risk categories, each with a different capital requirement. [1]

Unquote

AN AMERICAN BANKER SPECIAL REPORT

Big Banks to Feel Brunt of Risk-Based Capital Plan

Fed Would Apply Capital Rules to Off-Balance-Sheet Activities

By NINA EASTON

WASHINGTON — Large banks are going to find off-balance-sheet activities less attractive and liquid assets more alluring. Smaller banks are simply going to breathe a sigh of relief.

That's the preliminary view of experts who have examined the Federal Reserve Board's risk-based capital proposal, which the Fed governors unanimously decided to issue for public comment Wednesday.

In a related development, two other banking agencies — the Comptroller of the Currency and the Federal Deposit Insurance Corp. — said Wednesday that they intend to solicit public comment on their own risk-based capital plans.

The principal effect of the Fed's proposal would be to bring certain off-balance-sheet operations — particularly standby letters of credit — under the capital requirements. Because off-balance-sheet activities are currently not counted as assets, they are not taken into account when calculating a bank's required capital ratio.

Questions in Assessing Risk, Page 9

The issuance of letters of credit, which are a bank's guarantee that a customer will complete a transaction, is booming at the nation's largest banks. If the Fed goes ahead with its

➡ Proposal: Page 9

At a Glance

Fed Capital Rule

The Federal Reserve Board's new proposals would:

- Place bank assets into four categories of risk, with cash and U.S. Treasury securities being lowest and loans and commercial paper highest.
- Assign a weight to each category to determine how much capital should be maintained against it.
- Force banks to add capital to back off-balance sheet liabilities, such as letters of credit.
- Divide banks with more than $1 billion in assets into three "zones" depending on portfolio risk to determine whether they should be placed under regulatory probation.

Fed Urges Banks to Keep Their Overdraft Caps a Secret; Disclosure Seen as Damaging to Risk-Reduction Program

By TOM FERRIS

NEW YORK — The Federal Reserve System and four other regulators are "strongly" urging banks not to disclose the overdraft limits they set for themselves under an impending Fed program to reduce operating and credit risk in the nation's payment system.

Some banks have been publicizing their high overdraft caps as a marketing tool to capture additional wire transfer business and bolster their image. The Fed called such actions "inappropriate" and contrary to the intent of its program.

"The Federal Reserve strongly urges depository institutions not to disclose the size of their 'sender net-debit caps' either to customers or to the public," the Fed's district banks wrote in letters sent over the last two weeks to member institutions.

The Fed said its position was endorsed by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corp., the Federal Home Loan Bank Board, and the National Credit Union Administration.

The advisory is likely to offer comfort to banks that give themselves relatively low overdraft limits. Such institutions now have an official reason for not revealing those caps to inquisitive corporate customers, rating agencies, insurance companies, and institutional investors.

The Fed and other supervisory agencies have been worried that some banks, concerned that their caps might become public, will be pressured into giving themselves higher-than-deserved ratings, sabotaging the effectiveness of the risk-reduction effort. Government officials are hoping their plea for secrecy will stop disclosures and keep competitive factors from entering the picture.

However, the advisory is not binding, and some observers question whether it will be effective, especially in the money centers, where the competition for wire transfer business is fierce.

"When an important relationship is up for grabs, allusions will be made," said David C. Cates, a bank analyst. "Banks will find ways to send messages" about the size of their caps and their amount of excess capacity, he

➡ Overdraft Cap: Page 8

The Troubles of Bert Lance Continue

By ROBERT TRIGAUX

WASHINGTON — A federal judge has refused to halt the Comptroller of the Currency's attempt to force Georgia banker Bert Lance out of the banking industry, despite Mr. Lance's objection that the proceeding is aimed at making him divulge information for a criminal investigation.

U.S. District Judge Harold Murphy in Atlanta denied on Tuesday Mr. Lance's request to halt an administrative removal hearing being held in that city.

But Judge Murphy also turned down a government motion that he dismiss a new lawsuit filed by Mr. Lance on Monday against the Office of the Comptroller of the Currency asking for a halt to the agency's administrative proceedings aimed at removing Mr. Lance from banking.

The Comptroller seeks to ban Mr. Lance from the banking industry. An enforcement action against Mr. Lance by the Comptroller alleges he was involved in illegal banking activity, including check kiting and insider activities. Mr. Lance is also under a consent agreement signed in 1978 with the Comptroller and the Securities and Exchange Commission for alleged insider lending practices.

According to reports, Judge Murphy told Mr. Lance's lawyers on Tuesday they need stronger evidence to support allegations that the Comptroller's office officials exceeded its authority and that Mr. Lance will be irreparably harmed by the closed-door hearing.

Mr. Lance, a former director of the U.S. Office of Management and Budget under President Carter and former chairman of the Georgia Democratic Party, announced earlier this month plans to retire on Jan. 20 as chairman of the Calhoun First National Bank. He had been reelected to the post only days earlier.

On Monday, the bank announced

➡ Lance: Page 8

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AN AMERICAN BANKER SPECIAL REPORT

Fed's Risk-Based Capital Plan Would Affect Mostly Big Banks

Continued from Page 1

plan, bank holding companies such as Citicorp, BankAmerica Corp., Chase Manhattan Corp., Manufacturers Hanover Corp., and other large money center institutions heavily involved in letters of credit will see their regulatory capital levels drop.

The Fed plan would not affect an existing requirement that banks maintain capital equaling at least 6% of their assets.

The proposal divides assets into four risk categories — each with a different capital requirement. For most assets, however, the Fed proposal would not require banks to add any capital. Banks won't be "penalized" for risky loans, experts say.

How Standby Letters Affect Capital Ratios

	Without Standby Letters	With Standby Letters
Citicorp	5.86%	5.36%
BankAmerica	5.84	5.34
Chase Manhattan	6.37	5.87
Manufacturers Hanover	5.72	5.01
J.P. Morgan	7.02	6.30
Chemical New York	6.26	5.44
Security Pacific	5.85	5.39
First Interstate	6.13	5.90
Bankers Trust	6.23	5.35
First Chicago	6.08	5.47

Source: Keefe, Bruyette & Woods Inc.
Data are as of yearend 1984.

"How close you can run to that minimum depends on your risk profile," William Taylor, the Fed's director of bank supervision and regulation, said in a telephone interview. While the plan won't force banks to raise more capital to cover assets already on the balance sheet, he said, it will encourage them to "do more high-liquid, high-quality business." Under the current standard, he said, "no one wants the liquidity — it reduces their margin."

Bank analyst David Cates, of Cates Consulting Analysts Inc. in New York, predicted that the largest 200 banks could be affected by the proposed guidelines. Mr. Cates criticized the proposal for failing to include a fifth category for "substandard" assets.

Others predict that even fewer banks would feel the effects of the proposal. "I suspect it will really affect no more than a handful of major banks — though there may be any number of troubled institutions doing foolish things that might get caught by it," said Washington attorney William J. Sweet, who represents a number of large banks.

"It should not greatly affect our banks," said Diane Casey, regulatory liaison for the Independent Bankers Association of America, which represents community bankers. "The Fed proposal looks like it is targeted at large banks that have a great deal of off-balance-sheet activities."

The Independent Bankers Association, Ms. Casey said, was pleased that the Fed proposal did not distinguish between types of loans by assigning more risk to, say, an agricultural loan than to a commercial loan.

Officials at the American Bankers Association said the plan is worth studying but expressed concerns about its effects. "We are concerned that the proposal may reduce banks' flexibility to lend to certain types of business due to their assessed risk by regulators," Donald G. Ogilvie, ABA executive vice president, said in a prepared statement. "The banking industry has significantly increased its capital in recent years, and there is no demonstrated need for further increases."

Recent data compiled by the Federal Deposit Insurance Corp. show that the 25 largest U.S. bank holding companies have more than $929 billion outstanding in off-balance-sheet assets. If those activities were factored into the capital requirements, capital levels at these institutions would fall an average of 20%, the agency estimates.

Under the Fed proposal, banks still would be required to meet the current 6% minimum standard. The proposal also would not affect ongoing efforts by bank examiners to force individual banks to increase their capital.

"This is not a substitute for all these other supervisory tools," said Fed Chairman Paul A. Volcker. "It is simply another tool to deal with the shortcomings of our existing tools."

While it was the Fed that first forwarded a risk-based capital plan, Mr. Volcker made clear at the agency's open meeting Wednesday that the other banking agencies were "sympathet-

➳ Proposal: Page 11

Risk Categories and Weights Under Fed's Capital Proposal

CASH AND EQUIVALENTS Weight: 0%

- United States currency and coin and due from Federal Reserve banks.
- Cash items in process of collection and transaction accounts due from U.S. depositor institutions.
- Short-term U.S. Treasury securities in investment account.
- Foreign currency and balances due from central banks in immediately available funds.

MONEY MARKET RISK Weight: 30%

- Long-term U.S. Treasury securities held in investment account.
- U.S. government agency securities held in investment account.
- Portions of loans fully guaranteed by U.S. government.
- Short-term claims on U.S. depository institutions.
- Acceptance of other U.S. banks.
- Fed funds sold.
- Loans to broker-dealers collateralized by U.S. Treasury and agency securities and securities purchased under agreement to resell (RPs).
- Assets held in trading account.
- Legally binding loan commitments (including note issuance facilities)

MODERATE RISK Weight: 60%

- All state, county, and municipal securities in investment account (excluding industrial development bonds).
- All other claims on U.S. depository institutions.
- All claims on governments and banks of industrial countries.
- Acceptances of banks in industrial countries.
- Local currency claims on governments and banks of non-industrial countries. (Note: To the extent funded by local currency liabilities. If not funded by local currency liabilities, such local currency claims are included in the standard risk category.)
- Loans to broker-dealers collateralized by other marketable securities.
- Commercial letter of credit.
- Standby letters of credit backing state, county, and municipal securities (excluding those backing industrial development bonds), supporting broker-dealers on secured basis or performance-related.

STANDARD RISK Weight: 100%

- All assets found in a typical bank loan portfolio, including:
  All commercial and industrial loans and leases
  Residential real estate and individual loans
  Loans to nondepository financial institutions
- All other claims on foreign obligors.
- Corporate securities and commercial paper, and industrial development bonds.
- Customers' acceptance liabilities. (Note: Include customers' liabilities associated with acceptance participations purchased. Participations sold are included in money market risk category if the purchaser is a U.S. depository institution, moderate risk if the purchaser is a bank in an industrial country, and standard risk for all other purchasers.)
- All assets not included elsewhere.
- All other standby letters of credit (net), including those backing industrial development bonds.
- Loans sold without recourse. (Note: Loans sold with recourse by banks are not removed from the balance sheet under call report instructions. Bank holding companies should report loans sold with recourse in this category even if, under generally accepted accounting principles, they may be removed from the balance sheet.)

Robert Morris Associates Offers Policy Guidelines for Off-Balance-Sheet Items

By LISABETH WEINER

CHICAGO — The Federal Reserve Board's proposal requiring banks to allocate capital based on the levels of risk accompanying different types of off-balance-sheet activities sounds great in theory but may be difficult to implement.

"Risk is very difficult to assess," said Edward Williams, president of Robert Morris Associates and treasurer of Brown Brothers Harriman & Co. "How do you calculate the risk?"

Mr. Williams pointed out that risk is different when it covers a standby letter of credit, a commercial letter of credit, or a loan commitment. "It will probably take some work to find a way of standardizing the evaluation process," he said. Also, because banks may have to raise more capital to meet the new requirements, the whole affair can become expensive.

Off-balance-sheet items have boomed recently as banks in search of fee income have developed new and unusual corporate finance tools. No one really knows how large the total off-balance-sheet exposure is. Some estimate hundreds of billions of dollars, others just say it is very large and growing very quickly. Standby letters of credit alone grew 25% in 1984 to $132 billion, according to an *American Banker* survey.

A standby letter of credit, Mr. Williams said, is just one example of the type of product that concerns the Fed. A standby is a bank's guarantee that the customer will perform as expected. And that is fine if everything goes as planned. But if the customer fails, the standby becomes a loan. That is one of the problems with them, Mr. Williams said. "The bank is committed to make a loan at the worse possible time, when the other side of the agreement is defaulting."

Much of a bank's involvement in off-balance-sheet type activity has to do with how much appetite it has for risk. "For instance, one institution may be willing to issue a standby letter of credit to back up the commercial paper program at AT&T, but it won't issue a standby for the marginal producer of oil drilling bits," Mr. Williams said. But another bank may be willing to carry the riskier credit because it stands to gain a higher return.

To help banks that have not looked at these issues thoroughly, Robert Morris Associates, the national association of bank loan and credit officers, has come up with a set of policy guidelines concerning off-balance-sheet activities.

One of the most important things from the risk management aspect is to know your counterparty, the trade group said. The account party should be well known to the bank, should represent sufficient substance, and should be a party from whom the bank may reasonably expect any required reimbursement over the term of the facility.

The association also urges that the risk analysis, credit approval, and grading processes employed should be the same as those used in other credit requests. The bank's senior credit policy officer should recommend the levels of credit risks to be undertaken. Policies and procedures should be in place to deal with any issues that might arise.

The Journal of Commercial Bank Lending, a Robert Morris Associates publication, polled 10 bankers on how they feel off-balance-sheet items should be handled. Although some were uncertain about the need for stronger capital requirements, most agreed that the Fed had some authority in this area.

But Thomas Golonski, senior vice president of First Seneca Bank, Oil City, Pa., plainly disagreed. "I don't think the Fed is moving in the right direction, and I am opposed to the Fed requiring additional capital for off-balance-sheet items. The majority of those items are unfunded, although that doesn't mean I don't think there is any risk involved. Also, I think increased capital requirements would diminish our market potential." ■

Proposal . . .

Continued from Page 9

ic" to the broad outlines of the proposal.

The plan, which would apply to state-chartered banks that are members of the Federal Reserve and bank holding companies, lays out four categories for assets. The "cash and equivalents" category, including vault cash and short-term U.S. treasury securities, would be given a weight of 0%. Assets in this category, therefore, will be disregarded when calculating a bank's required capital level.

Assets in the "money market risk" category — such as long-term U.S. Treasury securities, federal agency securities, and fed funds sold — would be given a 30% weight. The "moderate risk" category would include local government bonds, claims on governments and banks in industrial countries, commercial letters of credit, and certain standby letters of credit. That category would be accorded a 60% weight.

The bulk of a bank's portfolio — loans, commercial paper, standby letters of credit backing industrial development bonds, and so forth — would be included in the "standard risk" category. That category would be weighted at 100% of the current requirement.

Some off-balance-sheet activities, such as futures, options, and interest rate swaps, are not included in the plan.

Many industry officials applauded the Fed's decision to keep the categories broad, rather than becoming embroiled in the administrative nightmare of distinguishing between the quality of individual assets within those categories.

However, even this approach already is raising a host of questions and disagreements. As William J. Bosies, the ABA's director of federal agency relations, put it: "How can they put gilt-edged commercial paper and loans to Brazil in the same category?"

Side Effects of 6% Rule

Experts don't expect to see many banks rushing to the capital markets in anticipation of a new risk-based capital plan. Mr. Sweet said the guidelines "are not so much intended to force an increase in capital. I think the Fed is reacting to the artificial incentives created by the other rule." Mr. Sweet was referring to the 6% across-the-board requirement adopted by the regulators early last year.

After that requirement was adopted, federal regulators complained that banks were selling off their most liquid assets in an effort to lower the amount of capital they had to have on hand. "We've seen a lot of the troubled institutions attempting to meet that standard by lowering their levels of liquid assets just at a time when they couldn't afford to," Mr. Sweet said.

In addition, regulators also have blamed that standard, in part, for increasing the attractiveness of off-balance-sheet activities to keep their capital requirements to a minimum. But banks are also flocking to these activities, seeking new fee income and responding to the demand for new services by customers.

Mr. Cates faulted the Fed plan for being forwarded as a supplement to existing requirements. "The government is not relaxing the 6% capital-to-assets ratio," he said. "It is creating a hybrid. You have to meet the old as well as the new — that's unfair. Banks ought to get more credit for a riskless balance sheet along with being charged" for risky activities.

Mr. Cates is particularly critical of the plan because it focuses on the risk associated with specific assets but does not take into account how well the bank is managing those risks. "The intrinsic risk differences in any product is less a factor than the management risk of those products," he said.

That problem could be remedied, Mr. Cates argued, if the Fed gave bank managers some authority over deciding which assets should be placed in each category of risk.

Mr. Volcker said that, in issuing the risk-based plan for public comment, the Fed was saying that "the general thrust of this is moving in the right direction." However, he acknowledged that the proposal leaves open a number of questions and "a lot of work needs to be done in terms of refining it."

Bankers and other interested individuals will have 90 days to comment on the proposal. ■

How a Risk-Based Capital Ratio Calculation Works

(Amounts in Dollars)

Risk Category Assets	Assets in category		Risk weights		Weighted risk
Cash and equivalent	$5,000	X	0	=	0
Money market risk	$35,000	X	.30	=	$10,500
Moderate risk	$30,000	X	.60	=	$18,000
Standard risk	$80,000	X	1.00	=	$80,000
Total risk assets (including $50,000 in off-balance sheet items)	**$150,000**				**$108,500**

Primary capital: $7,000
Primary capital to total assets ratio: $7,000 ÷ $100,000 = 7%

Risk-based capital ratio: $7,000 ÷ $108,500 = 6.5%

Strategic Dates
July 1, 1987

WASHINGTON INTERSTATE BANKING: A law which permits out-of-state banks to acquire Washington financial institutions that are at least three-years old, as long as the acquirer's home state has similar legislation, becomes effective.

Jefferies . . .

Continued from Page 3

ings performance. Jefferies is due to report its fourth-quarter earnings within two weeks, and Brenda Davis McCoy, a brokerage industry analyst for Mabon, Nugent & Co., estimates that it earned about 30 cents a share during the last three months of the year.

That would put its 1985 profits at about 85 cents share, she said, down dramatically from the $1.50 a share in 1984, when the entire industry suffered from depressed markets. To make matters worse, Jefferies was considered highly vulnerable to downward pressure on institutional commission rates since its bread-and-butter business is trading for institutional customers.

Last March, Ms. McCoy recommended that her clients sell their holdings in Jefferies because of the combination of difficulties facing the 23-year-old firm. This month, however, she issued a "buy" recommendation, contending that within the $15 range, Jefferies' stock "does not have much downside potential."

Others may also be leaning toward that conclusion. A. Michael Lipper, president of Lipper Analytical Securities Corp., said he viewed Jefferies as a firm with upward potential, partly because of its poor performance last year. He described it as "a very bright firm that was effectively dead in the water" in 1985.

A recent decision to shy away from the generally risky business of principal trading could help the firm steam ahead, according to Ms. McCoy. That decision reportedly coincided with the resignation of Ronald A. Alghini as president and chief operating officer of Jefferies Group Inc., the parent firm.

Jefferies, the 36th largest securities firm in the nation, was able to build its reputation as a market maker by efficiently matching buyers and sellers of a particular stock. And when necessary, the firm would build an inventory by purchasing shares for its own account, or trading as principal.

Analysts said that under Mr. Alghini's leadership, the firm had substantially increased its principal trading activities, with limited success. Jefferies boosted its inventories of government and corporate securities to $245 million at the end of September from the $115 million at the end of 1984.

While accumulating that inventory, the firm watched its principal trading profits decline from a high of $10.9 million in the first quarter of 1985, to $4.0 million in the second period, to a loss of $5.3 million in the third quarter, Ms. McCoy said. As a result of the third-quarter trading shortfall, Jefferies reported a loss of 29 cents a share for that period.

Ms. McCoy added that the firm's situation was aggravated by the fact that much of the inventories were financed by short-term borrowings, or call loans from commercial banks, which resulted in high interest expenses.

Boyd L. Jefferies, chairman and chief executive officer of the firm, said in a December announcement that Mr. Alghini was quitting "to pursue other business interests." According to one source, he is interested in setting up his own arbitrage operation, possibly in Chicago.

Such a prospect, according to Ms. McCoy, represents a potential threat to Jefferies. If Mr. Alghini does decide to open his own firm in Chicago, Ms. McCoy said she anticipates that he will hire professionals from Jefferies' Chicago office. But she said she did not expect "a mass exodus."

Mr. Jefferies declined to comment. Mr. Alghini could not be reached for comment.

Based on the recent reorganization, Ms. McCoy estimated that Jefferies would earn between $1.40 and $1.60 a share next year. She said future earnings would be supplemented by "the increasing presence and profitability of the firm's London office."

Her bullishness was also based on the fact that the institutional rate war of last year had subsided and that Jefferies would consider entering new businesses, such as convertible bond trading.

She and others are also encouraged by the Jefferies board deciding last month to purchase, from time to time, up to one million of the eight million outstanding common shares, or the equivalent amount of its 8.5% convertible debentures. That, she said, "should help to limit the downside risk in the stock."

Among those attracted to Jefferies' stock is American Can Co., which recently agreed to increase its stake in the brokerage firm to 20%, from a 9.8% share. But Gerald Tsai Jr., chairman of American Can, told the *American Banker* last month that his company had no intention of increasing its Jefferies holdings beyond 20%.

Money Market Mutual Funds

January 14, 1986

The table below presents certain statistics as of the date indicated for money market mutual funds whose shares are held largely in trust accounts. The information includes the full size in millions of dollars, average portfolio maturity, percent of portfolio due in seven days or less, and the rates of total return for the preceding seven and 30 days. The table is compiled by Irene Appelbaum.

	Size $ Mil.	Average Maturity (days)	% due 7 days or less	% Rate of Return 7-day	30-day
Dreyfus Cash Management	1,063.4	42	21	7.83	7.88
Dreyfus Government Cash Management	671.9	76	44	7.57	7.62
Dreyfus Money Market Instruments:					
Money Market Series	687.5	46	26	7.47	7.48
Dreyfus Institutional Money Market Fund:					
Government Securities Series	1,001.0	84	48	7.25	7.33
Money Market Series	600.0	55	25	7.47	7.56
Federated Group:					
Federated Master Trust	3,092.6	34	30	7.58	7.65
Money Market Trust	2,024.1	30	25	7.53	7.62
Trust for Short-Term U.S. Govt. Sec.	6,092.8	48	47	7.21	7.29
Trust for U.S. Treasury Obligations	3,948.0	52	44	7.16	7.21
Fidelity Money Market Trust:					
U.S. Government Portfolio	975.0	39	30	7.70	7.70
Domestic Money Market Portfolio	1,363.1	35	21	7.70	7.80
Treasury Portfolio	239.7	38	70	7.30	7.40
Institutional Liquid Assets:					
Prime Obligations Portfolio	5,367.2	40	22	7.58	7.61
Government Portfolio	2,052.9	41	36	7.39	7.42
Treasury Portfolio	1,270.5	37	46	7.35	7.41
Mariner Institutional Funds Inc.:					
U.S. Treasury Fund	150.6	33	75	7.08	7.12
Government Fund	308.8	21	69	7.34	7.35
Cash Management Fund	584.9	21	38	7.45	7.52
Merrill Lynch Group:					
Merrill Lynch Institutional Fund	1,338.9	49	21	7.45	7.54
Merrill Lynch Government Fund	1,604.0	45	14	6.98	7.25
Scudder Cash Investment Trust	1,046.0	38	0	7.40	7.40
Shearson/American Express Group:					
TempFund	5,844.0	38	25	7.65	7.68
FedFund	1,685.4	44	48	7.38	7.45
T-Fund	1,695.4	48	50	7.39	7.44
TrustFunds Liquid Asset Trust:					
Treasury Portfolio	2,088.1	44	45	7.18	7.27
Agency Portfolio	267.5	42	18	7.42	7.49
Commercial Portfolio	91.1	37	11	7.58	7.62
Prime Obligations Portfolio	1,511.4	43	12	7.59	7.63

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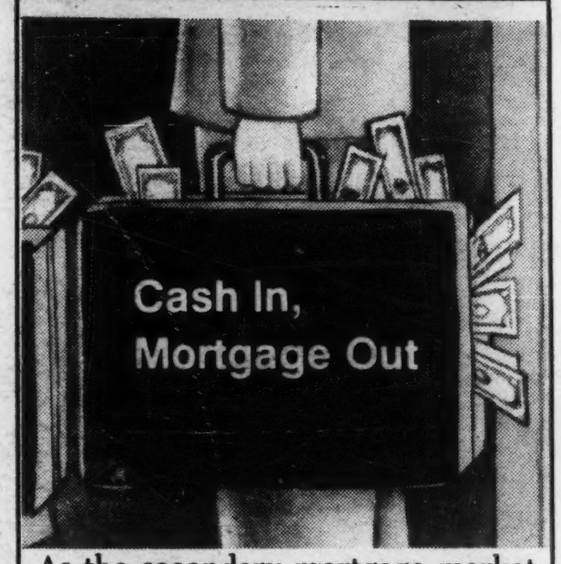

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Random Thoughts

By SANFORD ROSE

The nationwide growth in commercial and industrial loan volume was reasonably anemic in the second half of 1985. It will be even more disappointing in the first half of this year, suggests Chris Snyder, president of Loan Pricing Corp., a Manhattan-based financial publishing firm.

Aggregate commercial loan volume grew by 3.3% from July through December 1985. The consensus of lending officers is that volume will expand by a tad less than 3% from January through June of this year.

Money center banks did worse than the average, actually experiencing a 2% decline in commercial loan volume in the last half of 1985. They expect an even poorer performance (minus 2.3%) in the first half of this year. By contrast, small banks did better than the average. They saw growth increase by 5.6% in the relevant period last year. Growth is expected to continue above average in first-half 1986, but the rate is likely to taper off to only 5%.

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Fed Says 11% of Banks Plan to Seek Maximum Daylight Overdraft Caps

By TOM FERRIS

NEW YORK — About 11% of participating commercial banks have indicated they plan to file for the maximum intraday overdraft cap permitted under an impending Federal Reserve Board program to reduce risk in the payment system, according to data released by the agency on Monday.

The Fed had hinted that if more than 10% to 15% of banks in each peer group sought the highest "daylight overdraft" limit, it would be a signal that the banking industry was not taking the voluntary risk-reduction effort seriously.

The implied threat has been that if banks could not police themselves, the Fed would step in and impose limits on the overdrafts institutions could run up while transferring funds during the day.

But while the aggregated data seemed to fall within the Fed's expectations, statistics on individual peer groups were not released. Of particular interest is what percentage of the largest banks — which dominate the wire-transfer business and run the biggest overdrafts — are seeking the highest overdraft cap. Federal Reserve officials could not be reached for comment.

Daylight Overdraft Caps at Top 50, Page 12

Banks must file their official caps by the end of February, and they are free to change their preliminary ratings, which were due last month. The Fed said "we have reason to believe that some of these caps will be lowered." The program takes effect on March 27.

Altogether, 2,210 financial insitutions have filed preliminary caps, according to a letter sent to the House Banking subcommittee on domestic monetary policy, which oversees the Federal Reserve. That represents 43% of all institutions that incurred "daylight overdrafts" during two weeks in

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Citibank Opens for Business in Utah

By JAY ROSENSTEIN
and LAURA GROSS

New York's giant Citicorp, taking advantage of a new Utah law and the closing on Friday of a small Salt Lake City bank, has expanded its growing presence in the western region of the United States.

Interstate Banking

Citibank (Utah), a newly chartered subsidiary of Citicorp, opened for business on Monday after assuming the deposits and many of the assets of the failed $33.4 million-deposit Utah First Bank.

The New York holding company already has a presence in the state through Citicorp Person-to-Person Financial of Utah, the largest of six federally insured industrial loan corporations in the state. This unit had $175 million in deposits as of the end of September, but it is limited by rules to savings deposits and certificates from Utah customers. The new commercial bank subsidiary now enables Citicorp to offer transaction accounts and perform commercial services in the state.

Observers interviewed on Monday said the move is one more step in the direction of nationwide banking by Citicorp. The holding company's drive has already been exhibited through interstate acquisitions of problem thrift institutions in California, Florida, and Illinois.

"I think it's an indication of Citi's desire to be in every banking market it can" through whatever opportunities, said Brent B. Erensel, a senior banking analyst for New York's Dean Witter Reynolds Inc. That is especially true, he said, because many regional interstate compacts limit the presence of New York institutions. He pointed out that similar strategies can be found at

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High Court Throws Out US Trust Ruling

Lower Court Is Overruled On Legality of Nonbanks

By BARTLETT NAYLOR

WASHINGTON — The Supreme Court on Monday threw out a lower-court decision in U.S. Trust v. the Federal Reserve Board that has stymied the progress of limited-service banks.

Industry executives were split, however, in assessing the immediate impact of the decision.

Said industry consultant Karen Shaw, "That's the ball game; the fat lady is now singing" in the long-fought contest over the limited-service facilities, frequently called nonbank banks.

But Julius Loeser, an attorney with First Interstate Bancorp, which is applying for 12 nonbank facilities, noted, "There are still a lot of clouds hanging over us."

Monday's decision in the U.S. Trust case affirms the legitimacy of nonbank banks, which have been described as "loophole" institutions that escape prohibitions that apply to traditional banks on interstate expansion and on ownership by nonbanking firms such as Sears, Roebuck and Co.

This means many of the nation's largest banks, and other giant firms such as Merrill Lynch & Co., are now one step closer to sprawling across state borders long closed to interstate banking. Nearly 280 applications by the nation's largest banks are awaiting final approval by the Office of the Comptroller of the Currency, the chartering agency for national banks.

"It is clear that the highest authorities believe there never was a loophole to begin with, as some have contended," said Frank Salinger, general counsel for the American Financial Services Association, a trade group involved in

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